

Consumers Illinois Water Company :
: **03-0403**
General increase in water rates for :
the Kankakee Water Division. :

ADMINISTRATIVE LAW JUDGE'S RULING

Submitted By: Jack Schreyer, Manager of Rates (610) 645-4237

285.4020 Schedule D-2: Cost of Short-term Debt

The following work papers and documents in support of Schedule D-2 are required:

- 1) Formulae used to set interest rates on variable and adjustable rate issues;
- 2) Portions of documents describing the manner by which interest rates on variable and adjustable rate debt issues are set (e.g., loan agreements);
- 3) Documents supporting all interest rates;
- 4) A description of company policy regarding short-term financing, including its uses, sources (e.g., commercial paper, bank loans, and lines of credit) and limitations (i.e., amount relative to total capital); and
- 5) Formulae and rates of return the company uses to calculate AFUDC rates. Sections 285.4020(e)(1)-(5)

The Company shall provide the documents and work papers to satisfy these requirements.

Answer: Please see revised Schedule D-2 page 1 of 5 and supporting interest rate – related documents attached.

CONSUMERS ILLINOIS WATER COMPANY

Kankakee Water Division

Rate Case Docket No. 03-0187

Schedule

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Person Responsible:

J. Schreyer

Proposed Test Year Period: Future

Revised

Period Reported: Average 2004

Cost of Short-term Debt

Line	Lender Bank (Line of Credit) (A)	Workpaper Reference (B)	Ave. Orig. Term to Maturity (C)	Future Test Year 12 Mo. Wtd. Ave. Amount Outstanding (D)	Ave. Interest Rate (E)	Interest Requirement (F)
1	National City	WP-D2, page 1	10 months	\$ 1,764,583	3.00% (1)	\$ 52,938
2						
3	Mellon Bank	WP-D2, page 1		-		-
4						
5	CoBank	WP-D2, page 1		-		-
6						
7						
8						
9		Total Short-term Debt Outstanding:		\$ 1,764,583	Annualized Interest:	\$ 52,938
10		Less: Unamortized Issuance Expense:		<u>15,134</u>	Add: STD Issuance Amort.:	<u>3,864</u>
11		Carrying Value - Ave. Future Test Year:		\$ 1,749,449	Annualized Interest & Iss.:	\$ 56,802
12						
13						
14						
15						
16						
17						
18						

Cost of Short-Term Debt:**3.25%**

(1) National City Bank interest rate is 65 basis points over LIBOR - (30 - 360 days); Company has assumed 2.35% LIBOR plus 65 basis points = 3.00% throughout 2004 test year. Interest rate - related documents are attached.

The Company utilizes proceeds from lender bank credit lines to support in part operating activities and capital expenditures.

Short-term debt typically varies as a percentage to total capital as construction work in progress varies as a percentage to utility plant in service.

The Company uses the formula found in 83 Illinois Administrative Code, CH. I, Sec. 605.120 Accounting Instruction 19, b) 1), where $AI = s(S/W) + d(D/(D+P+C))(1-S/W)$ for purposes of calculating AFUDC rates.

Monthly Balances for Short-term Debt

Proposed Test Year Period: Future
Period Reported: 2002 - 2004
Prior Year (2002) 12 Mo. Actual

Line	Year / Bank (A)	Beginning Balance (B)	January (C)	February (D)	March (E)	April (F)	May (G)	June (H)	July (I)	August (J)	September (K)	October (L)	November (M)	December (N)	Future Test Yr. 12 Month Weighted Ave. (O)
1	Actual 2002														
2	National City	\$5,250,000	\$6,250,000	\$5,250,000	\$5,250,000	\$5,250,000	\$4,250,000	\$6,255,000	\$6,255,000	\$6,755,000	\$6,755,000	\$6,255,000	\$8,255,000	\$10,005,000	\$6,310,385
3	Mellon Bank	0	0	0	0	0	0	0	0	0	0	0	0	0	0
4	CoBank	0	0	0	0	0	0	0	0	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	576,923
5															
6	Total	\$5,250,000	\$6,250,000	\$5,250,000	\$5,250,000	\$5,250,000	\$4,250,000	\$6,255,000	\$6,255,000	\$8,255,000	\$8,255,000	\$7,755,000	\$9,755,000	\$11,505,000	\$6,887,308
7															
8															
9															
10	Projected 2003														
11	National City	\$10,005,000	\$10,807,746	\$12,000,000	\$12,000,000	\$12,000,000	\$12,000,000	\$12,000,000	\$12,000,000	\$12,000,000	\$12,000,000	\$12,000,000	\$12,000,000	\$250,000	\$10,850,980
12	Mellon Bank	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13	CoBank	1,500,000	1,500,000	1,745,157	2,669,839	3,158,323	4,007,058	5,663,516	6,750,245	8,728,812	7,801,455	7,729,205	7,583,032	0	4,372,049
14															
15	Total	\$11,505,000	\$12,307,746	\$13,745,157	\$14,669,839	\$15,158,323	\$16,007,058	\$17,663,516	\$18,750,245	\$18,728,812	\$19,801,455	\$19,729,205	\$19,583,032	\$250,000	\$15,223,030
16															
17															
18															
19	Projected 2004														
20	National City	\$250,000	\$250,000	\$250,000	\$250,000	\$750,000	\$1,150,000	\$2,100,000	\$2,350,000	\$2,600,000	\$2,850,000	\$3,350,000	\$3,600,000	\$3,100,000	\$1,757,692
21	Mellon Bank	0	0	0	0	0	0	0	0	0	0	0	0	0	0
22	CoBank	0	0	0	0	0	0	0	0	0	0	0	0	0	0
23															
24	Total	\$250,000	\$250,000	\$250,000	\$250,000	\$750,000	\$1,150,000	\$2,100,000	\$2,350,000	\$2,600,000	\$2,850,000	\$3,350,000	\$3,600,000	\$3,100,000	\$1,757,692
25															
26															
27															
28															
29	Projected Ave. Future Test Yr. - 12 Months of Ave. Monthly Balances:														
30	National City	\$250,000	\$250,000	\$250,000	\$250,000	\$500,000	\$950,000	\$1,625,000	\$2,225,000	\$2,475,000	\$2,725,000	\$3,100,000	\$3,475,000	\$3,350,000	1,764,583
31	Mellon Bank	0	0	0	0	0	0	0	0	0	0	0	0	0	0
32	CoBank	0	0	0	0	0	0	0	0	0	0	0	0	0	0
33															
34	Total	\$250,000	\$250,000	\$250,000	\$250,000	\$500,000	\$950,000	\$1,625,000	\$2,225,000	\$2,475,000	\$2,725,000	\$3,100,000	\$3,475,000	\$3,350,000	\$1,764,583

Proposed Test Year Period: Future
Period Reported: 2002 - 2004
Prior Year (2002) 12 Mo. Actual

Worksheet D - 2
Page 3 of 5
Person Responsible: J. Schreyer

Monthly Balances for Construction-work-in-progress - Total

[illegible]

Prior Year (2002) 12 Mo. Actual

Monthly Balances for Construction-work-in-progress Accruing on AFUDC

[illegible]

Proposed Test Year Period: Future
Period Reported: 2002 - 2004
Prior Year (2002) 12 Mo. Actual

Net Amount Outstanding

[illegible]